

ABC Organization  
Indirect Cost Rate Calculation - **One Rate Method**  
Based on Actual Costs  
For the Year Ended June 30, 2010

Cost Category	STEP 1	/-----STEP 2-----/			
	FYE 6/30/10 Expenditures	Unallowables/ Exclusions	Total Indirect Costs	Direct Costs (Note b)	
M. Aroni, President	\$ 75,000		\$ 75,000		
G. Smith, Secretary to President	25,000		25,000		
D. Sullivan, VP Finance & Administration	60,000		60,000		
A. Smith, Bookkeeper	28,500		28,500		
L. Berkeley, Senior Scientist - Project 1	60,000			60,000	} \$430,000
V. Johnson, Senior Scientist - Project 2	60,000			60,000	
6 Staff Scientists @ \$35,000 each (Projects 1,2,3)	210,000			210,000	
4 Junior Scientists @\$25,000 each (Projects 1,2,3)	100,000			100,000	
Total Salaries & Wages (Note d)	618,500				
FICA (Note c)	47,315		47,315		
Health (Note c)	92,775		92,775		
Consultant (Project 1)	50,000			50,000	
Consultant (Project 3)	100,000			100,000	
Depreciation	5,000		5,000		
Equipment (Project 2)	20,000	20,000			
Lab Supplies (Project 3)	7,500			7,500	
Computer services (Project 2)	5,000			5,000	
Telephone	5,000		5,000		
Office Rent	70,000		70,000		
Travel (Projects 1,2,3)	20,000			20,000	
Subcontract (Project 1)	25,000			25,000	
Subcontract (Project 2)	50,000	25,000		25,000	
Bad Debts expense	5,000	5,000			
Interest	5,000	5,000			
Donations	500	500			
Total Expenses	\$ 1,126,590	\$ 55,500	\$408,590	\$662,500	
	(Note a)				

**STEP 3 - Calculate Indirect Cost Rate**

Indirect Cost Rate - If using a **Direct Salaries & Wages Distribution Base** 95.0% (\$408,590/\$430,000)

Indirect Cost Rate - If using a **Modified Total Direct Cost Distribution Base** 61.7% (\$408,590/\$662,500)

**Notes:**

(a) Taken directly from audited financial statements

(b) ABC Organization has three direct projects. The direct costs associated with all three projects are included under the direct cost column.

(c) In this example, ABC organization treats all fringe benefits as an indirect cost, which it recovers through the application of its indirect cost rate. However, organizations may also allocate fringe benefits differently. For example, organizations may charge as direct costs those fringe benefits specifically identifiable with employees' direct salaries and wages...such as payroll taxes (FICA, FUTA, etc.).

(d) Vacation, holiday, sick leave and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.